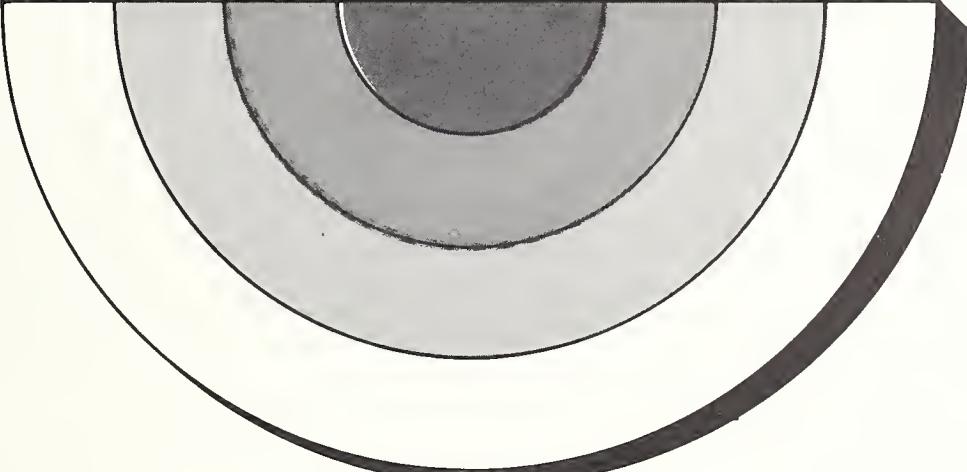


# A HALF CENTURY OF ECONOMIC RESEARCH





## Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.

## Preface

The reorganization of the Economic Research Service, effective June 29, 1973, was preceded by a series of conferences devoted to papers and discussions of the missions and programs of the Service. Some of this material was brought together in a series of articles for The Farm Index. These articles are now published, not as a definitive statement, but as a guide to the background, objectives and major lines of research of the Service.

The articles "A Half Century of Economic Research," "People and Progress," "Economics: Cornerstone of Policy," "Economists on the Foreign Front," and "Economists in an Urban Age," were written by David E. Brewster. The article on the Outlook Board was based on material supplied by C. Kyle Randall and Benjamin R. Blankenship, Jr., and was written by Diana Morse.

Washington, D.C. 20250

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# *A* *Half* *Century of* *Economic Research*

*During the past 50 years, agricultural economists in the Federal Government have dealt with the most rapidly changing farm scene in the history of this country.*

Talk to a modern farmer and you'll probably discover a man who depends on economic research.

So important are the findings of agricultural economics today that they play a vital role at every point in the food and fiber industry, from buying and utilizing inputs to processing and marketing the finished product.

When does it pay a farmer to invest in a bigger tractor or adopt a new hybrid? When should he expand his operation, convert to a different crop, or sell his products? What's really happening out there in the farm sector . . . to domestic markets . . . to foreign demand? How can farm income be raised and consumer needs be met more efficiently?

The answers come from agricultural economists. Chances are they come from economists in USDA who

this year are marking the fiftieth anniversary of agricultural economic research in the Federal Government.

Actually, the roots of this particular Government activity go back further than the formal founding date.

As early as 1839, Congress assigned \$1,000 to the Patent Office for the collection of agricultural statistics. This was one of the first functions undertaken by the Department of Agriculture when it was organized in 1862. By the turn of the century a steady stream of reports was flowing out of USDA.

The agricultural crisis after World War I focused national attention on the farmer's economic plight.

**Birth of BAE.** When farm prices neared an alltime low in 1922, the Department, under Henry C. Wallace's leadership, tried to reverse the dismal trend by marshalling all its economic resources in a new organization. The result was the Bureau of Agricultural Economics (BAE).

"The real work of the new Bureau of Agricultural Economics," said Henry C. Taylor, first head of the agency, "is to put the farmer and

the dealer in farm products in possession of the facts they need in order to act wisely in all these problems of production and marketing and to provide such service and supervision as will tend to establish efficiency and fair play in the marketing of farm products."

This philosophy led to forecasting work and to the first Annual Outlook Conference, held in 1923, to make the economists' findings readily available to farmers and other members of the agricultural community.

Agriculture continued in trouble during the twenties, a period when the economy was heading for disaster. In the fall of 1929, the U.S. crashed into the worst depression of its history. And farm prices led the downward spiral.

With the coming of the New Deal, USDA's policymakers began looking for new ways of adjusting production to demand and raising farm income. Economic research was enlisted to aid in the development of new programs.

The Agricultural Adjustment Administration, Commodity Credit Cor-

*"A knowledge of the setting in which farmers operate and a knowledge of the trends of the times are essential to lighting the pathways of progress . . ."*

poration, and Federal Crop Insurance Corporation were just three of a host of important measures born during the thirties that owed their existence wholly or in part to the work of agricultural economists.

Toward the close of the decade, the Department's economic research shifted emphasis to planning. The new objective was to coordinate Federal, State, and local programs in particular regions, drawing them together to launch a hydra-headed assault on the Depression's lingering remnants.

It was an ambitious and controversial goal, criticized within and outside the Government. It was also short-lived, partly due to the U.S.'s entry into World War II.

**Wartime mandate.** During the war years, economic researchers concentrated on problems associated with the effort to push agricultural production to its peak, with shortages caused by the conflict, and with the needs encountered by wartime agencies such as the Combined Food Board and the Office of Price Administration.

Soaring demand gave the farm sector new life. Corn production shot up by more than 400 million bushels between 1940 and 1945. Cattle increased by 22 million head, hogs by 13 million, and in 1944 the wheat crop broke the old record of 1.08 billion bushels that had stood since 1915.

The main task facing agriculture in the immediate postwar period was finding a way to ease the farm sector back into a peacetime framework without a disastrous depression such as followed World War I.

Scarcely did the job near completion than the Korean war resur-

rected the need for many of the old emergency programs.

By this time, agricultural economics had established itself as an integral part of a number of Department agencies. During the previous decades several of the BAE's early functions had been passed on to other USDA organizations. Less than 5 months after the end of the Korean war, the Department disbanded the Bureau, dividing its remaining duties between the Agricultural Research Service and the Agricultural Marketing Service. The purpose was to bring together "the appropriate team of scientists and researchers to attack particular problems."

"The problem approach" to economic research held sway in the Department from 1953 to 1961. Stress was on marketing to handle surplus production.

Yet the advantages of having an agency in the Department specifically charged with conducting economic research were so great that in the early sixties, USDA established the Economic Research Service as a successor to the old BAE.

### *BAE's Offspring*

Besides the Economic Research Service, four agencies in today's Agriculture Department trace their beginnings back to the Bureau of Agricultural Economics or the operations that were combined into the Bureau in 1922: the Agricultural Marketing Service, Farmer Cooperative Service, Foreign Agricultural Service, and Statistical Reporting Service.

The old BAE did more than economic research.

It administered no less than 10 regulatory acts at various times, ranging from the Cotton Futures Act of 1916 to the Tobacco Inspection Act of 1935.

The Bureau also provided market news, handled research on transportation and marketing facilities, and graded foods.

In time, these and many other former jobs of the BAE became so complicated that no one agency could perform them all.

A leading U.S. economist explained the reasons—

"When the work is properly organized in a favorable environment science grows, methods of research continually improve, knowledge accumulates and enables men better and better to understand the world in which they work. A knowledge of the setting in which farmers operate and a knowledge of the trends of the times are essential to lighting the pathway of progress as well as to diagnosing ills."

**New backdrop.** The agricultural scene that today's economists study is the most complicated and rapidly changing in U.S. history. Fifty years ago, when the BAE got underway, 30 percent of the population lived on farms. Today the figure is less than 5 percent. In about the same period, the number of Congressional districts across the country with 20 percent or more farm population has tumbled from 251 to 47.

Thanks to a multitude of advances, ranging from new machines to new management techniques, the U.S. today boasts a higher farm output than ever before.

But at least one old problem remains: farmers continue to earn substantially less than nonfarmers.

**Maze of problems.** And a long list of modern challenges now keep this old enemy company. Increasing public concern over environmental protection, poverty, national nutrition, the condition of rural America, and a variety of other issues has revealed new problems that demand the attention of agricultural economists.

Today's researcher, therefore, does more than analyze markets, forecast prices, and study economies of size. The complexities of modern agriculture and its intricate relationship to the rest of the economy mean that he must answer needs that went unrecognized 50 years ago—or, perhaps, that did not exist at all. [First in a series of articles about work of agricultural economists. The next will feature outstanding economists and their achievements.]

# People and Progress

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“The history of agricultural economics in America covers a short period of time. It is not too much to say that this branch of science did not exist before 1900. All the more astonishing, then, is the fact that today, as we can calmly admit, America has outstripped all other

countries in this field . . .”

So wrote a somewhat bemused German economist, Sigmund von Frauendorfer, in 1928.

Many of the first American agricultural economists were not economists at all, at least not in terms of their formal training. They were

DO NOT SPINDLE  
DO NOT FOLD  
DO NOT VARIETY

horticulturalists, agronomists, and workers in animal husbandry who got interested in farm management.

Take William J. Spillman, for example. Born on a Missouri farm in 1863 and educated at the University of Missouri, Spillman cut his professional teeth as an agronomist.

While teaching at Washington State College in the late 19th century, he worked on developing new winter wheat varieties, making major contributions to genetic science in the process. In fact, when USDA hired him in 1902, it gave him the title, "agrostologist"—an expert on grasses.

**Par excellence.** Spillman noticed during the days he spent studying wheat that in any group of farmers, a few would be using superior management techniques. In Washington, he gathered a cadre of men and instructed them to search out these farmers across the country, study their methods and publish the results. Spillman, who in 1905 became head of the new Office of Farm Management, supervised a flood of pioneering management studies that came from these efforts. *A Model Dairy Farm*; *Building up a Run-down Plantation*; and *Cropping Systems of New England* were several of the better known management manuals that his office published during the early 20th century.

**Shades of Spillman.** Today Spillman is probably best remembered for a small book he brought out in 1927. Called *Balancing the Farm Output*, it urged farmers to reduce production in order to raise their incomes. In effect, it was the first formulation of the domestic allotment plan that later became a cornerstone of U.S. agricultural policy.

Agronomists like Spillman seemed to have a relatively easy time shifting from studies of crop rotations to studies of cropping systems and from there to viewing the farm as a total unit. And this probably ex-

plains the trailblazing role they played in farm management.

Their work had a strong streak of common sense. It was intended as much for working farmers as anybody else.

The man who brought the analytical tools of general economics to farm management and agricultural marketing was John D. Black whose 1926 volume, *Introduction to Production Economics*, anticipated many of the theories of production and the farm firm that became bywords with well-trained economists during the next decade.

Black was a brilliant scholar with an uncanny ability to open up new areas for investigation, and he left his mark on almost every aspect of agricultural economics. Yet he started out as a rhetoric teacher at Western Reserve University and the Michigan College of Mines.

He returned to school when he was 32 and 3 years later, in 1919, took his Ph.D. in economics from the University of Wisconsin. Through his writing and teaching he influenced more than a generation of agricultural economists.

**Black's Mentor.** One of Black's own teachers at Wisconsin was Henry C. Taylor, called by some the father of agricultural economics. Educated in the U.S., England, and Germany, Taylor was a leader among the first academically trained economists to apply their skills to agriculture. He was the first professor of agricultural economics in a land



**FOUR MEN WHO PAVED THE WAY:** John D. Black (top left), innovator and teacher; Henry C. Taylor (top right), father of agricultural economics; William J. Spillman (bottom left), explorer in farm management; Mordecai Ezekiel (bottom right), pioneer in statistical theory.



grant institution, and in 1905, while on the Wisconsin faculty, he published *An Introduction to Agricultural Economics*, the earliest comprehensive treatment of the field.

Taylor moved to Spillman's old job as head of the Office of Farm Management in 1919. In 1922 he was picked to lead USDA's new Bureau of Agricultural Economics (BAE) which was a major center of American agricultural economic research.

**Genesis of Outlook.** Early in 1923, the BAE began gathering information on the acreage farmers had planted in various crops in 1922 and on the intended plantings for 1923. This data formed the basis of the first Outlook Conference held April 20-21, 1923.

While drawing together material for the initial Outlook Report, BAE's economists discovered a major problem.

Previously, most of USDA's research had assumed a stable demand situation and given special attention to supply variations. But the farm depression of the early twenties indicated that demand could have a dominant influence on prices, and that discovery raised a raft of questions.

The job of spearheading investigation into this new area fell to O. C. Stine, a product of the University of Wisconsin and Director of BAE's Division of Statistical and Historical Research. He put together a staff that included men who went on to become leaders in their fields.

**Pathfinders.** There was a New Englander, for instance, an ex-ambulance driver with the French Army, named Frederick Waugh whose ideas on graduated pricing laid the foundations in the 1930's for the Food Stamp Plan. There was Louis Bean, Lithuanian-born and fresh from Harvard's Business School, who today is one of the country's top political analysts. And there was Mordecai Ezekiel who became economic advisor to Agricul-

ture Secretary Henry Wallace during the New Deal.

As these men and others like them pushed back the frontiers of price research, they made contributions to statistical theory that have been felt far beyond the realm of agricultural economics.

With an assist from Howard R. Tolley, Ezekiel devised the technique known as multiple correlation analysis, a method of discovering the relationship between statistical variables. That led to Bean's creation of the scatter diagram, which simplified Ezekiel's process through the use of graphic analysis. Then, in 1938, Ezekiel gained further renown with a concept he called the cobweb theorem explaining the interaction of production and prices.

During the twenties and thirties, BAE economists and their counterparts at universities around the country provided the basis for Federal programs that remain in effect even now.

**Hairy economics.** Since that time of major breakthroughs, the technical tools of agricultural economics have gained enormous sophistication. Linear programming, econometrics, improved sampling methods and the like are workaday aids to contemporary researchers.

Yet the traditional concerns still challenge. Taking only one example, in the early 1950's, Iowa State's Earl Heady published *Economics of Agricultural Production and Resource Use* and thus revolutionized the teaching of a subject that had been among the first to interest early agricultural economists.

Today Heady and a multitude of others are expanding the limits of agricultural economics, clearing with bulldozers a path that their predecessors began with hatchets and hoes.

[Second of a series. Next month: *Outlook and Situation work at ERS.*]

# Economics: Cornerstone Of Policy

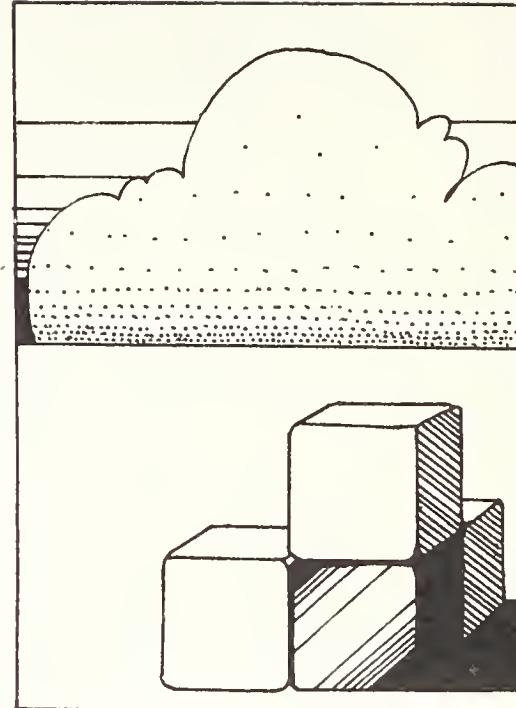
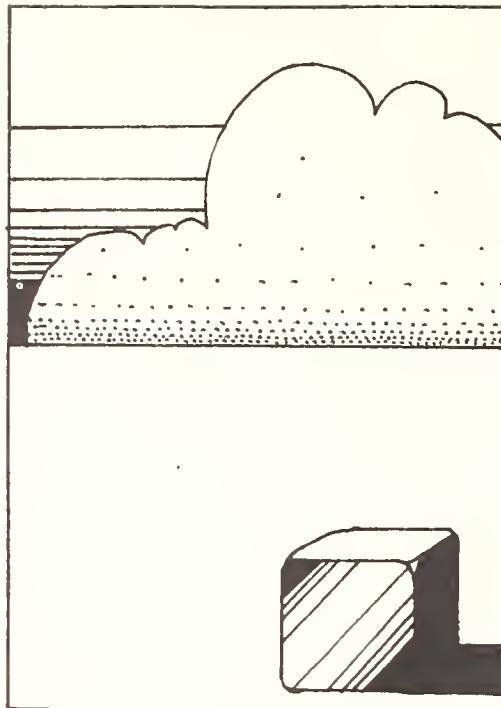
The United States has had an agricultural policy of one sort or another since at least 1619, the year colonists at Jamestown passed an inspection law directing that all tobacco of "mean" quality be burned.

Yet agricultural economic policy, as we know it today, is a fairly recent thing, developed only within the last 40 or 50 years. In that brief period, agricultural economists have become central to policy, both as theorists whose ideas are incorporated into law and as workhorses whose day-to-day analyses provide the information that keeps the farm programs running.

Before World War I, people who thought about agricultural policy at all usually did so in terms of tariffs, monetary and banking practices, and the sale and improvement of public lands.

**Prices skid.** With the coming of the post-war depression, that began to change, however. The hard times of the 1920's affected more than just farming, but as one observer has written: "Agricultural prices fell first, fell fastest, and fell farthest." What's more, the prices of several important farm products stayed chronically low. By 1921, hog values had plummeted to \$8.21 a hundred-weight, corn sold for 52¢ a bushel, wheat for \$1.03.

As the depression deepened, George Peek and Hugh Johnson, two executives at the Moline Plow Company in Illinois, realized that their declining sales were tied to the country's low farm incomes. "You can't sell a plow to a busted customer," was the way



Peek summed up the situation.

Together they created a plan of attack on the problem that drew heavily on data developed by agricultural economists, most notably on the work of Cornell professor George Warren.

Basically, their scheme was to use Government purchases to support domestic farm prices at their pre-war buying level (in other words, at parity) while selling surplus production in overseas markets.

The proposal was short on details and at first glance appeared impractical, two points that scared off most economists. But it got a hearing at USDA, and by late 1923 Henry C. Taylor, Director of the Bureau of Agricultural Economics (BAE), had his researchers at work ironing out the rough spots.

Within months, BAE members incorporated the Peek-Johnson plan into the best known, most controversial farm legislation of the 1920's—the McNary-Haugen Bill, so named after its sponsors in the House and Senate.

The measure was introduced into Congress three times during the twenties and came within a hair's breadth of enactment in 1927. But it was never signed into law, partly because the conventional wisdom of the period—plus the wisdom of a great

many agricultural economists—said the way to deal with surpluses was through cooperatives.

**Trial and error.** In fact, the Government tried this approach in 1929 with an agricultural marketing act that created the Federal Farm Board as an aid to the cooperative movement.

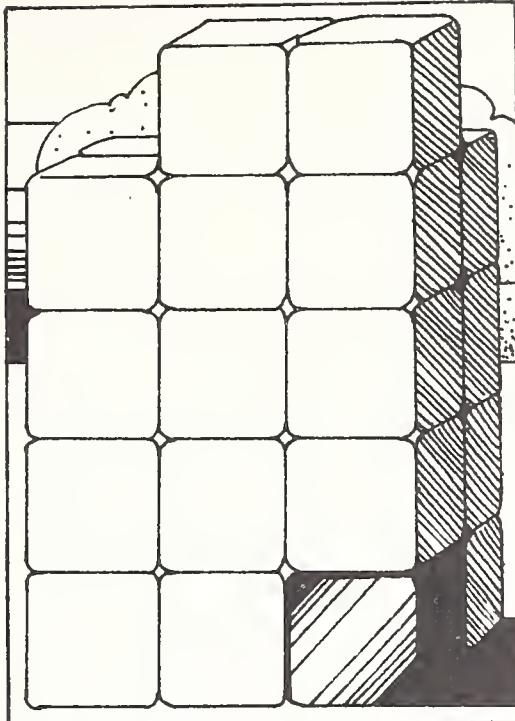
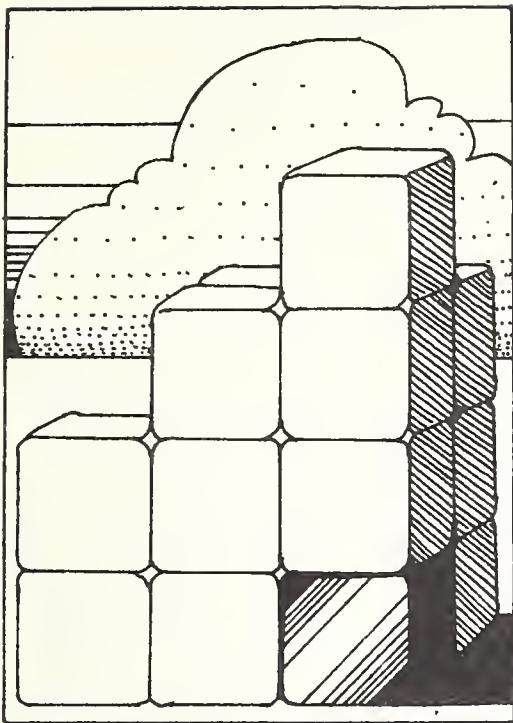
It didn't work.

In 1932, when the Board acknowledged its own failure, farm operators' net incomes were less than a third of what they had been in 1929, and farm prices had fallen by better than 50 percent.

Surpluses, together with a worldwide agricultural expansion that greatly reduced the possibility of overseas sales, accounted for much of the disaster. And as the Farm Board expired, it made a plea for restrictions on production.

The Department's economists were ready with an answer that had been bubbling on a back burner ever since 1927 when BAE staff member W. J. Spillman published a slender volume called *Balancing the Farm Output* that contained the seeds of what came to be known as the domestic allotment plan.

As it took shape, the allotment plan sought to enlist the Government's power to help farmers control



production, thus enabling them to balance supply with demand and achieve some of the marketing advantages enjoyed by other businessmen.

Harvard's John D. Black was one of the first to develop Spillman's basic proposal; he published his refinements in 1929 as part of *Agricultural Reform in the United States*. But by the time the Farm Board failed, yet another researcher, M. L. Wilson, was the measure's leading advocate.

With help from several fellow economists, especially Black, Howard Tolley, and Mordecai Ezekiel, Wilson refined the plan, adding new ways to control production and finance and administer the program. When he finished, he had chiseled a cornerstone for the New Deal's agricultural legislation.

**Combining ideas.** Beginning with the Agricultural Adjustment Act of 1933, the Roosevelt Administration took Wilson's ideas along with those of a number of other agricultural economists and built them into an interrelated set of laws to salvage the Nation's farming.

Some of the concepts that thus became policy had been developed in the BAE and the country's universities during the twenties and

early thirties. Others emerged as the decade progressed. By the close of the New Deal, however, the United States had a farm program that is still largely intact 40 years later, and it owed much of its character to agricultural economists.

Among their contributions economists helped lay the foundations for domestic allotments, direct Government purchases, nonrecourse loans, the set-aside program, the Commodity Credit Corporation, and the ever-normal granary method of insuring stable domestic food supplies.

There was more. As part of its new role in the thirties, the Government acquired sizable quantities of surplus commodities, some of which it began disposing of via direct distribution programs to the hungry and through school feeding programs designed to raise child nutrition levels.

Both measures depended on nuts and bolts work done by economists. And in 1938, it was an economist, Frederick Waugh, who sent USDA Secretary Henry A. Wallace a memorandum containing the nucleus of the Food Stamp Plan, today one of America's chief weapons in the fight against hunger.

Having played a major part in

building the new policy, agricultural economists were the ones who furnished fuel for its operation. For they, almost alone, were able to analyze the farm programs' effects and forecast the results of possible modifications. Throughout World War II, right down to the present, they have provided the data and projections that are crucial to policymakers charged with overseeing the agricultural sector.

Underlying these activities, and at the heart of almost all policy, is an issue that has never been entirely resolved: what specifically is agriculture's role in a normally functioning American economy?

The answer is elusive, mainly because the general economy and the farm sector have both been changing by quantum leaps during the last half century.

**Revolution.** Throughout much of that period, the economy as a whole has been disrupted, either by depression or war. More recently, the country's agriculture has revolutionized its production and organization.

No longer, for instance, does a farmer necessarily buy his inputs, then raise his crop and sell it to a processor who in turn sells it to a wholesaler from whence it goes to a retailer and, finally, to the consumer. In some cases—poultry is a good example—all those steps can now be performed by a single company. Not only that, but the company can also supply its own inputs.

Is such an operation a farm or some other kind of business—or does that sort of distinction make sense anymore? It's just one of a welter of questions raised by the developments of recent years.

Solving these conundrums for policymakers may well be the hardest task facing agricultural economists in the time ahead. Their job in the policy arena is much the same as it was 50 years ago: to provide information, explanations, and suggestions. But it has never been a more complicated assignment than it is now.

[Third in a series.]

In today's America, farmers make up less than 5 percent of the population, and the total number of rural residents accounts for only 30 percent. All together, 70 percent of the people live on 2 percent of the land.

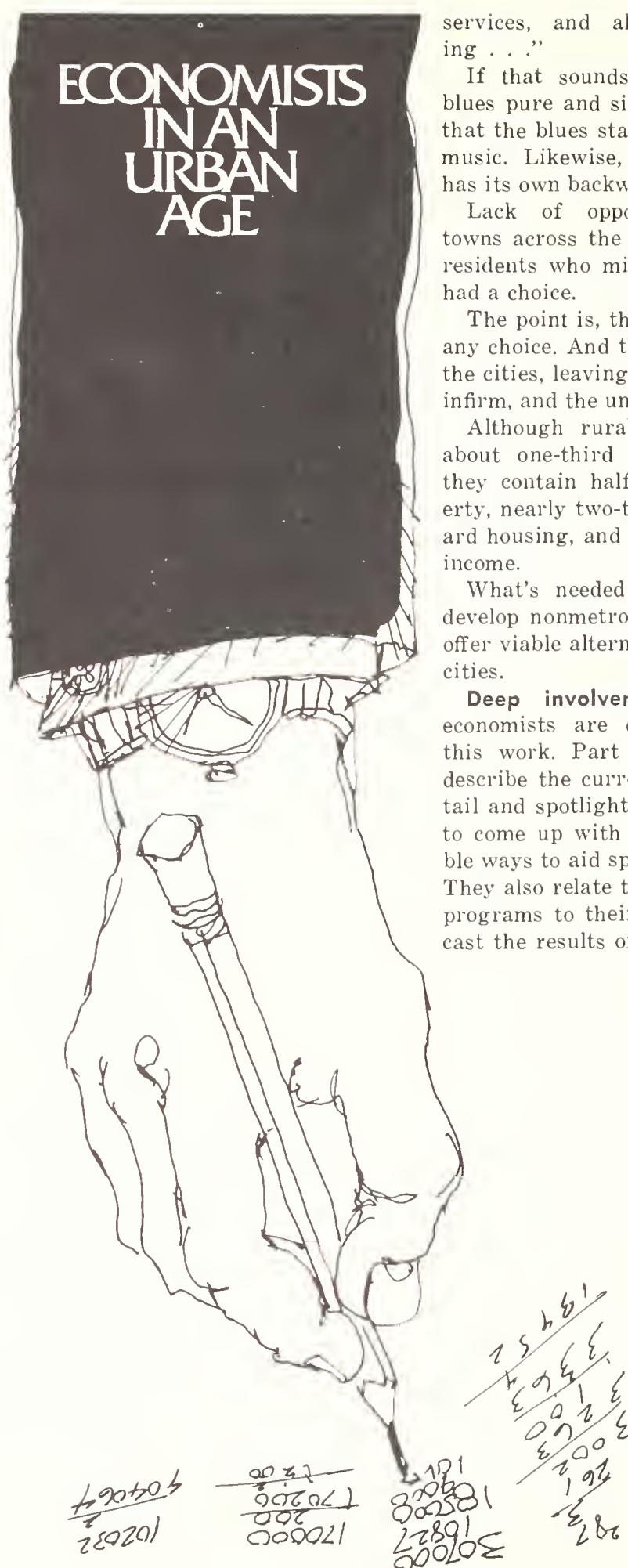
So it might seem that agricultural economists have a smaller role to play than in the past. But exactly the reverse is true.

For one thing, our urban and rural sectors are more closely linked than ever before. This means many problems facing city dwellers have aspects that can't be dealt with in just a metropolitan context. Some of the solutions lie in nonmetro areas, and agricultural economists are among the people responsible for finding them.

**City blues.** Consider a few salient features of the current urban scene—

"Our cities are falling apart," is the curt description offered by one observer. "We can't dispose of human wastes in a satisfactory manner; we can't dispose of our garbage; we can't eliminate the smoke and the smog; and we can't control crime and violence. We need new and improved educational services, airport services, police services, rapid transit services, park and recreation

# ECONOMISTS IN AN URBAN AGE



services, and all kinds of housing . . ."

If that sounds like the big city blues pure and simple, keep in mind that the blues started out as country music. Likewise, the present crisis has its own backwater roots.

Lack of opportunity in small towns across the U.S. is driving out residents who might remain if they had a choice.

The point is, they often don't have any choice. And they move to jobs in the cities, leaving behind the old, the infirm, and the unskilled.

Although rural areas claim only about one-third of the population, they contain half the Nation's poverty, nearly two-thirds the substandard housing, and only one-fourth the income.

What's needed now is a way to develop nonmetro areas so they will offer viable alternatives to life in the cities.

**Deep involvement.** Agricultural economists are deeply involved in this work. Part of their job is to describe the current situation in detail and spotlight trends. Another is to come up with economically feasible ways to aid specific rural regions. They also relate the costs of ongoing programs to their benefits and forecast the results of proposed changes.

Together with other economic specialists, they are attempting to discover the optimum rural-urban balance.

One issue that has become important to people in both the country and the cities is the environment. And here again agricultural economists are being called on for assistance.

Under pollution control acts passed in 1972, agriculture must begin policing its operations. Although the task carries a price tag, no one is certain yet how big it will be. Nor does anyone know for sure how the cost will be distributed or what paying it will mean for consumers and the agricultural sector. Economic researchers are at work finding out, however, and some answers are beginning to emerge that hint at the problem's complexity.

**Polluting feedlots.** Feedlots are an instance in point. Last year's Federal Water Pollution Control Act indicts them specifically as pollution sources and directs the Environmental Protection Agency to establish clean-up guidelines.

One preliminary estimate is that the cost between 1971 and 1980 may run to \$1.9 billion in capital investment and another \$1.8 billion in operating expenses.

Researchers expect that operators will try to minimize the financial blow by moving to sparsely populated areas with low rainfalls and by consolidating into more commercial units. Both developments could have major consequences for the economy in some parts of the country.

In the case of hogs, the price might be high enough to drive out many of the operations that now produce two-thirds of the Nation's pork.

**Problems galore.** This is just one pollution problem and a few of its spinoffs. Besides animal wastes, agricultural economists are also trying to point out and analyze similar difficulties caused by restrictions on pesticides, chemical fertilizers, sediment runoff, crop residues, and agricultural processing wastes.

**More worries.** Yet rural America has more to worry about than pollution. It has nutritional problems, for example.

In 1969, two agricultural economists at Penn State University began wondering exactly how effective the Food Stamp and Commodity Distribution Programs were as ways of raising dietary levels in rural areas.

Working with food experts at the University, they initiated a project in two counties to find out.

The counties, Bedford and Huntingdon, lie end to end, stretching north from the Maryland border into central Pennsylvania's wooded hills. Both are poor, both are overwhelmingly rural, and both have sizable groups participating in Federal feeding programs.

The study's results, published in 1972, indicated that food stamps did little to raise nutritional levels and direct distribution did even less.

**Benefits weighed.** Meanwhile, other projects began in North Carolina and Iowa using data gathered by the Poverty Research Institute at the University of Wisconsin. One purpose was to compare the nutritional benefits gained under a negative income tax system of poverty relief with those accruing under the Food Stamp Program.

The studies are still underway, and they are not extensive enough to give a national picture. But we are getting the first concrete evidence to date of how well we have succeeded in raising the nutritional levels of low income families. We may get some idea of where to go from here as well.

The increased attention agricultural economists are giving to these various problems raises several striking points.

**Broader questions.** It's clear, first of all, that researchers today are not restricting themselves to the farm firm or input, processing, and marketing issues. They're asking broader questions about rural society as a whole. And that marks a departure from the pattern prevailing dur-

ing much of the last 2½ decades.

A common belief in years past was that farmers could be adequately aided by pumping money into support payments, nonrecourse loans, and the like. But we can see now that's not enough. Farm problems have to be viewed in the context of rural life. Commodity supports won't fill the void left when a farmer's community starts disappearing along with its system of services and its opportunities for off-farm income.

Similarly, there was a feeling that farmers earned less than city workers because there were too many of them. With this went a conviction that they should be freed from the land for urban jobs.

**Countryside calls.** Yet in the last 20 years the farm population has dropped by half, the cities have ballooned—and farmers still make less than other Americans. In the interests of city and rural people alike, we need more, not fewer, people in the country.

Increasingly rural and urban America are drawing together, and agricultural economics is reflecting the trend. At the same time, however, many members of the profession continue to carry on more familiar tasks: they still describe and predict changes in U.S. farming; they still provide analyses of commodity programs; they still make long- and short-run forecasts of farm output; they still interpret data on agricultural and economic conditions in foreign countries.

In performing many of their traditional functions, agricultural economists are confronting a fairly recent problem that's as fundamental as it is complicated.

The post World War II revolution in American farming has so changed the shape of the agricultural sector that available statistics don't describe the situation as accurately as they should.

Researchers need more data. Equally important, they need new conceptual formats that will reflect the realities of American agriculture in an urban age.

[Fourth in a series.]

# Economists On the Foreign Front

**T**he story of USDA's systematic attempts to analyze foreign markets for American farm goods really begins with a 19th century journalist, Jacob R. Dodge, who abandoned newspapers in 1866 for a clerk's job at the Department.

In time, Dodge rose to become USDA's chief statistician and gained a reputation as the father of the Department's modern estimating and reporting service.

Yet his interests led into more than figures on domestic production. Less than 6 weeks before his retirement on March 20, 1893, he submitted a 200-page report that he had worked on for years detailing the production and distribution of the world's principal agricultural goods. Coming on the eve of one of the country's worst depressions, his study painted a critically needed picture of U.S. overseas markets.

**Dodge's legacy.** A year to the day after Dodge left USDA, Agriculture Secretary J. Sterling Morton created the Section of Foreign Markets. Its purpose: "to furnish information on the world's markets with special reference to their demands for agricultural products."

Morton's move not only established the ancestor of today's Foreign Agricultural Service. It also caused the Department's researchers from that time on to dedicate an increasing amount of attention to the international scene—searching for its needs, identifying its strengths, trying always to anticipate future conditions and find ways of boosting America's farm sales abroad.

As agricultural economics grew

into a specialized profession around the turn of the century, this job began to fall mainly to the Department's economic experts.

The Section of Foreign Markets was elevated to Division status in 1902. And in 1922, after several more organizational transformations, it became part of the Bureau of Agricultural Economics (BAE).

**Busy BAE.** Throughout the twenties and much of the thirties, the BAE covered the whole gamut of foreign activities from trade promotion to projections. In 1938, when the Bureau emerged as USDA's central planning agency, it relinquished most of these functions, though it retained responsibility for analytical reports on the world agricultural situation and outlook.

Today, more than 30 years later, BAE's successor, the Economic Research Service, is one of the main sources of long-run projections of world agricultural production, utilization, and trading.

Four principal groups depend on the findings of the Department's foreign economic specialists—Congress, which must formulate aid guidelines and general trade policy; USDA, which must carry out the Congressional mandate; farmers, who need market information; and exporters, who are responsible for transporting American food and fiber to buyers abroad.

Meeting the demands of this varied clientele is an extraordinarily complicated task, with the earth's population burgeoning at the rate of 4 births a second and the "Green Revolution" promising, over the long

run, to push agricultural output to its highest level ever.

Last calendar year, the dollar value of U.S. farm exports amounted to 9.4 billion—up 22 percent from 1971. This fiscal year, the figure is expected to break \$11 billion for the first time in history.

Although farm exports have shown a general upward trend during the last 2 decades, unusually large sales such as these owe a great deal to happenstance. The current banner year, for instance, results from poor grain harvest in Russia—and in much of the rest of the world—that caused the Soviets to buy an unprecedented 19 million metric tons of American cereals and soybeans.

That sort of unexpected development makes the economists' job harder. Yet they have managed to describe world agricultural conditions with considerable accuracy despite the difficulties.

**Prophecy comes true.** In the late 1960's, when several poor crop years led to widespread pessimism about the international food situation, the Department's analysts projected a rise in per capita supplies. They were right.

Now, in the seventies, pessimism is mounting again, and USDA's researchers are again predicting improvement.

Whether they are right this time will depend largely on developments abroad. But whatever the new situation, economists will be called on to interpret its significance for U.S. agriculture.

[Fifth in a series]

# LOOKING IN ON THE OUTLOOK BOARD



*What's the agricultural picture? ERS puts out 84 "situation" reports a year on major commodities and other subjects of interest to farmers. Here's how it's done.*

When you read or hear that a tight supply of wheat is expected . . . or that the cost of a market basket of farm-raised foods has changed such-and-such a percent . . . or that soybean producers are embarking on another banner year, chances are it emanated from a

small, windowless conference room in the Washington headquarters of USDA's Economic Research Service.

There, the Outlook and Situation Board meets on the average of seven times a month. Mission: to review, approve, and release the latest "situation" report, one of 84 published during the year.

Gathered around the T-shaped table are the Department's most knowledgeable men on the report involved.

And if anyone looks a little nervous in the shirt-sleeve meeting, it's

likely to be the author, especially if he's new. Every page of his draft will be gone over thoroughly as the board strives for accuracy, clarity, and consistency.

**Faces experts.** A Foreign Agricultural Service representative may challenge a sentence about wheat export prospects. A Statistical Reporting Service man may question the references to harvested acreage. The board chairman may point out that a statement is inconsistent with one made in another situation report approved earlier in the week.

The point must be settled then and there because at the conclusion of the meeting, the report's contents become public information.

The board chairman keeps the meeting moving at a steady clip: "Other comments on Page 8? Page 9. We need some different language here . . ."

**Two "regulars."** He and the board secretary sit in on all the meetings. Other board members are chosen by their agencies to attend sessions on subjects in which they specialize.

Board members receive a draft copy of the report a few days before the meeting and usually have any suggested changes ready to go. If they have any major objections they'll usually call the board chairman or author and work them out before the meeting.

All in all, the standard Government clock on the wall generally ticks off little more than an hour before the board is through.

**Security sessions.** But because the outlook information in some reports could affect the commodities market, some of the board meetings remain in session—and no one leaves—until the market closes.

This is about the only time you'll hear a superfluous sentence at a board meeting. Even then, discussion often is such shop talk as the outlook for crops around the country.

Just as soon as the meeting is over, a phone call is placed to USDA's Office of Information and a summary of the meeting given out to the press.

The summary is the first thing

that the board clears when the meeting starts. It is prepared while the meeting is still going on and transmitted to the Office of Information two blocks away for issuance when the board meeting is over. Upon release of the summary, all information contained in the report becomes public. Board members are now free to discuss anything in the report with the press.

It will be another week before the complete report, usually 20 to 40 pages, is published. Meantime, the author is overseeing the work of getting the report into print.

The situation reports cover 22 separate subjects, and each subject area has at least one permanent, principal contributor assigned to it.

As experts in their subject matter and professional agricultural economists, the principal contributors first develop the outlook and draft the analytical commentary. Then they see that necessary statistics are kept up to date . . . that special features are written . . . and that everything adheres closely to the rigid time schedule that the Outlook and Situation Board announces early in the year.

**Miss a meeting?** It's just about a must that the principal contributor attend the board meeting, and that the meeting convene on schedule. However, there are rare exceptions. Once, an author was called for emergency duty by the Reserves at board time. Once, a freeze hit Florida's citrus groves just before a January board meeting of the *Fruit Situation*, and the meeting was postponed while new figures—and a whole new outlook—were put together.

Normally, getting out a situation report goes something like this: the economist-author produces a draft of his outlook analysis and gets the summary, situation, and statistical material together a week or 10 days before the board meeting.

**Up for review.** It is then sent for review within the ERS division in which it originates and to the chairman and secretary of the board. After their comments are received, a revised draft is sent out to all the

board members. They have 2 days to review it before coming to the board meeting.

That's when most of the arguments take place, if there are going to be any.

"I know I certainly appreciate it if they call me up before the meeting so we can iron it out," comments one author. "It takes off the pressure of trying to do any major changes with the whole board waiting."

**Unwritten rule.** At the board meeting itself, there is one thing understood: no one enters with just negative criticism.

### *Outlook Output*

Want to know whether cotton use will change? What the livestock supply and demand situation is? What kind of credit picture looms ahead for farmers?

The answers can all be found in ERS's situation reports.

There's a flurry of such reports in February, the month of USDA's annual Outlook Conference. Sixteen are published then by the ERS Outlook and Situation Board, which also sets the agenda for the conference.

The reports—most of which are issued quarterly—contain the latest situation and outlook information on all major commodities plus a number of topics of general interest to the farming community. These 22 separate publications are:

*Agricultural Finance Outlook, Agricultural Outlook Digest* (a monthly digest of situation reports), *Cotton Situation, Dairy Situation, Demand and Price Situation*;

*Farm Cost Situation, Farm Income Situation, Farm Real Estate Market Developments, Fats and Oils Situation, Feed Situation, Fertilizer Situation, Fruit Situation, Livestock and Meat Situation*;

*Marketing and Transportation Situation, National Food Situation* (where all per capita consumption figures originate), *Poultry and Egg Situation, Rice Situation, Tobacco Situation, Vegetable Situation, Wheat Situation, Wool Situation, and World Agricultural Situation*.

"If you don't like something," one author explains, "you're expected to defend your objection and offer constructive criticism—tell what isn't right about it."

Perhaps because of this unwritten rule, the board gets a lot done in a relatively short time.

Someone may say, "On Line 17, we need some new wording. I see it this way. . . ." Sometimes the board accepts it, sometimes not. But the trouble spot is pinpointed and defined and it doesn't take long to hurdle it.

**Timely info.** It is the authors' and board members' expertise that makes the board what it is—a fast-acting medium to get out the most useful outlook and situation information possible to the farmer while it is still timely.

In the chairman's words, the board aims for accuracy . . . for consistency . . . and "to say clearly what they intend to say."

The principal objective of outlook work is the same as 50 years ago. It is to get out accurate facts and appraisals of the farmers' economic prospects so that he can "plan and carry out his production and marketing activities in an efficient and profitable way."

**Much is indirect.** The situation reports do this directly, but probably to a greater extent, they do it indirectly. They are used by the news media in making farm reports. And they are used by State outlook specialists who adapt them to conditions in their particular States.

They are designed ultimately to:

- provide information that will be useful to farmers in production and marketing;

- provide information about the supply and demand situation so that people in the business of processing and marketing farm products can use it in their planning and operations.

- provide information to people who deal with farmers—such as suppliers of fertilizer, feed, and credit—and to commodity investors.

[Last in a series]



